

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1203 – HB 2085

March 20, 2009

SUMMARY OF BILL: Creates a new economic development program, to be administered by the Department of Economic and Community Development (ECD), known as the Tennessee Small Business Investment Company Credit Act (TSBICCA). The TSBICCA authorizes an aggregate maximum of \$100,000,000 in investment tax credits, to be offset against the gross premium tax liabilities of certain insurance companies who qualify as participating investors. Requires one-fourth of authorized tax credits to be used against the tax liabilities incurred for tax years 2013 through 2016. Participating investors become eligible for investment tax credits based on qualified capital investments made by Tennessee small business investment companies who then invest capital in other qualified businesses, as defined by the bill.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$37,500/FY09-10/Economic and Community Development

**\$25,000/FY10-11 and Subsequent Years/Economic and
Community Development**

Decrease State Revenue – Net Impact

Exceeds \$5,000,000/FY13-14 through FY16-17/General Fund

Increase State Expenditures – \$190,000/Recurring

Assumptions:

- According to ECD, the Department will require one additional position to administer the program. The associated increase to recurring state expenditures is estimated to be \$70,000 per year (\$43,600 salary, \$21,400 benefits, \$5,000 other).
- According to ECD, the Department will need to contract with an experienced Certified Public Accounting firm for auditing services to

ensure program compliance. The associated increase to recurring state expenditures is estimated to be \$120,000 per year.

- The total increase to recurring state expenditures is estimated to be \$190,000 per year ($\$70,000 + \$120,000 = \$190,000$).
- Insurance companies are required to file application with ECD and pay a non-refundable application fee of \$7,500. ECD projects that five companies will make application during FY09-10. The increase to state revenue derived from application fees for FY09-10 is estimated to be \$37,500 ($5 \times \$7,500 = \$37,500$).
- Participating insurance companies are required to pay annual certification fees of \$5,000. The increase to recurring state revenue is estimated to be \$25,000 per year ($5 \times \$5,000 = \$25,000$) beginning in FY10-11.
- Determining the extent of gross premium tax credits that will be authorized as a result of this bill is dependent upon multiple unknown factors such as the number of qualifying insurance companies, the extent of capital investment made by each qualifying company, the extent of premiums underwritten by each qualifying company, and the extent of gross premium tax liability for each qualifying company.
- Given this extent of unknown factors, determining a precise estimate for such tax credits is difficult. However, a significant decrease of gross premium tax revenue is anticipated for each FY13-14, FY14-15, FY15-16, and FY16-17.
- Given the aggregate maximum for gross premium tax credits is \$100,000,000, and that such maximum is required to be spread over a four-year period, it is reasonably estimated that gross premium tax revenue will decrease by an unknown amount exceeding \$5,000,000 per year for each FY13-14, FY14-15, FY15-16 and FY16-17.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc